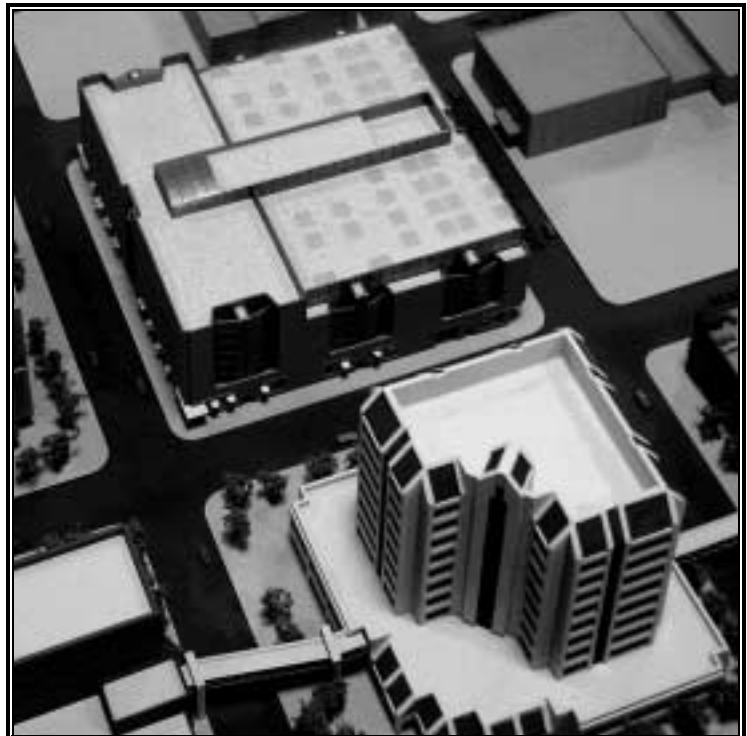




# **Internal Audit Department**

**Financial Condition Report  
Fiscal Year 2000**

**August 2001**



# County Auditor

Ross L. Tate, CMA, CIA, CGFM



## Project Team

D. Eve Murillo, CPA, MBA, CFE

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Richard L. Chard, CPA

*Senior Auditor*

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*Senior Auditor*

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# Internal Audit Department

301 W Jefferson 10th Floor Phx AZ 85003 (602) 506-1585 Fax (602) 506-8957



August 21, 2001

Janice K. Brewer, Chairman, District IV  
Fulton Brock, Supervisor, District I  
Don Stapley, Supervisor, District II  
Andrew Kunasek, Supervisor, District III  
Mary Rose Wilcox, Supervisor, District V

Internal Audit has completed a report on the financial condition of Maricopa County as of June 30, 2000. This work, which was part of our Board-approved audit plan, provides important information on County financial conditions and trends over the past five to ten years.

Overall, the County's financial condition and trends were favorable. The Board of Supervisors, Elected Officials, and County management should be commended for the many actions taken to achieve these results. Maintaining a balance between fiscal health and maximum service provision is a difficult task.

We acknowledge that evaluating a jurisdiction's financial condition is a complex process; many variables are difficult to isolate and quantify. I believe, however, that a routine assessment of the past heightens awareness and provides insight for the future. Additionally, a comparison to benchmarks broadens our perspective. This type of financial analysis alerts County officials to potential concerns, and facilitates the Board's governance of Maricopa County.

If you have any questions or wish to discuss anything presented in this report, please contact me at your convenience.

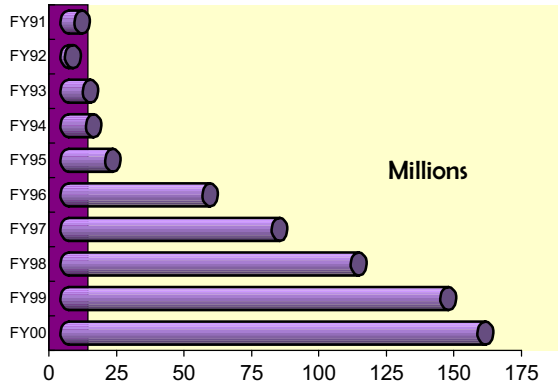
Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

# Executive Summary

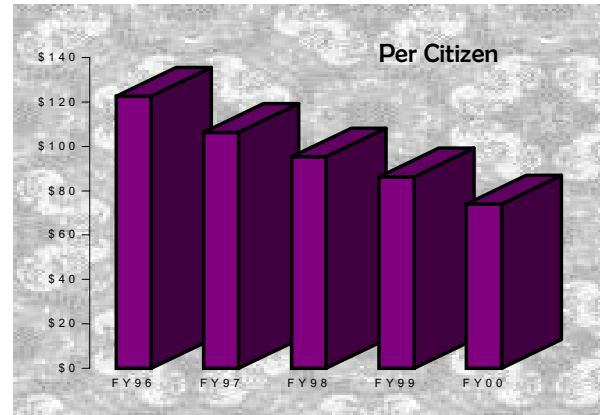
## General Fund Balance



The General Fund balance is 30 times larger than it was in fiscal year 1991.

This favorable trend enables the County to complete major projects without incurring debt, and provides a reserve for the unexpected.

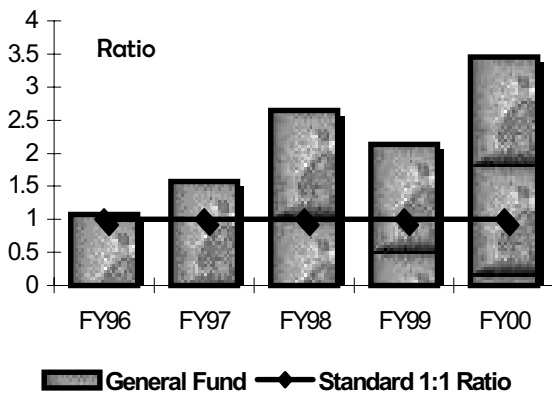
## Long Term Debt



Long-term debt continues to decrease, a favorable trend given that infrastructure is adequately maintained.

In fiscal year 2000, the County's long-term debt was one-fifth that of the average benchmark county.

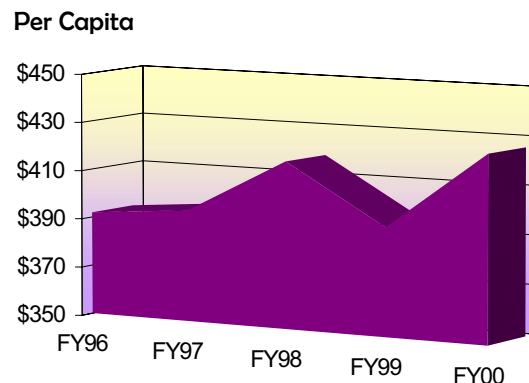
## Liquidity Trend



Liquidity is the ability to pay short-term debt. Experts recommend a liquidity ratio of at least one-to-one.

The County's favorable liquidity ratio of 3.45 is significantly higher than the recommended standard.

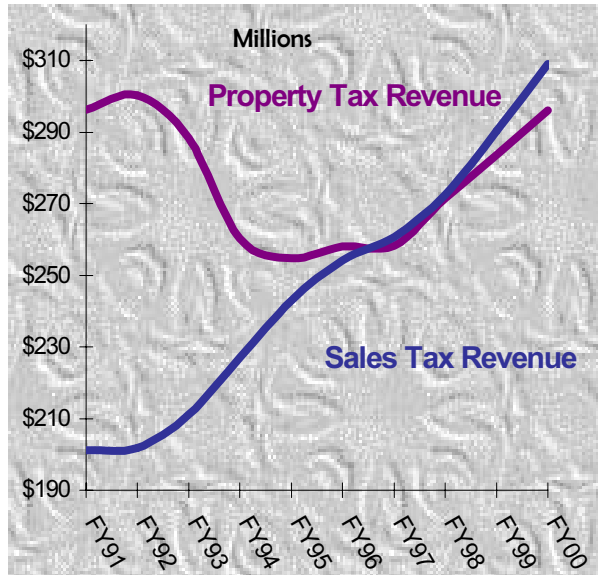
## Governmental Revenues



Governmental Fund revenues increased only 9% between fiscal years 1991 and 2000. Slow revenue growth represents a lower tax burden.

Experts warn, however, that service delivery could decrease if revenues don't keep pace with population growth.

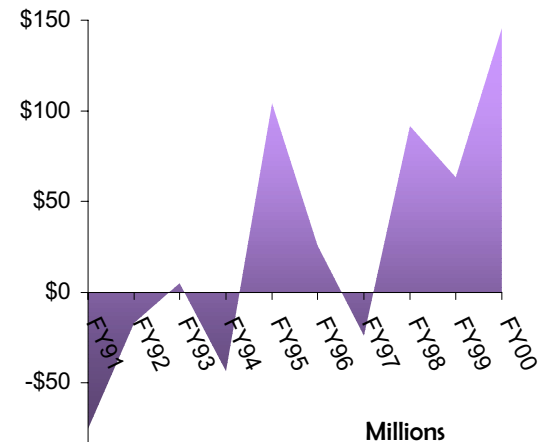
## Major Revenues



Sales tax revenues increased 54% from fiscal year 1991 to 2000, while property tax revenues were the same (in 2000 dollars).

This trend reveals the County's increasing dependency on economy-reliant sales tax.

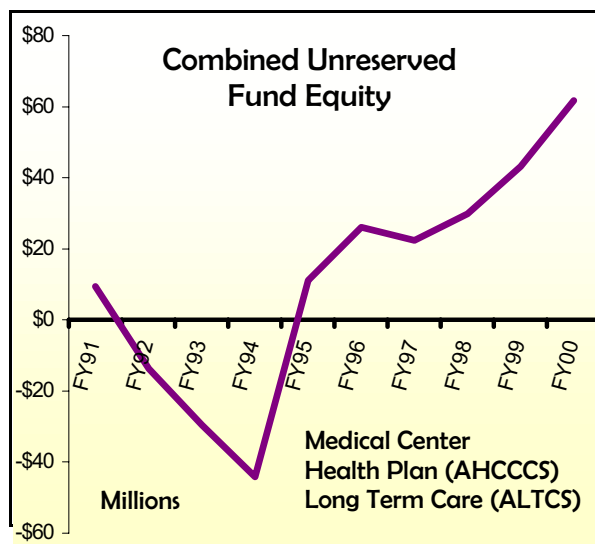
## Expenditures vs. Revenues



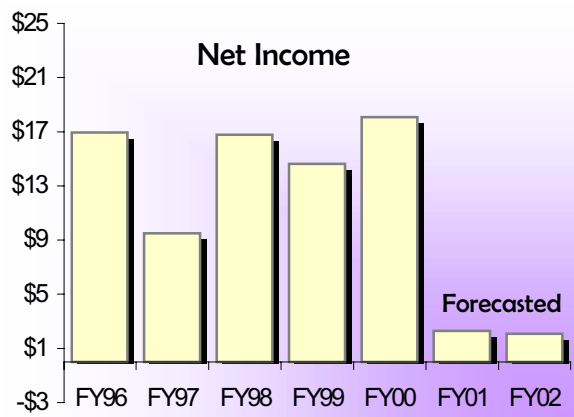
Revenues exceeded expenditures by a good margin between fiscal years 1995 and 2000. (Planned large capital expenditures caused the dip in fiscal year 1997).

However, expenditures exceeded revenues in the early 1990s, causing fiscal difficulties for the County.

## Maricopa Integrated Health System (MIHS)

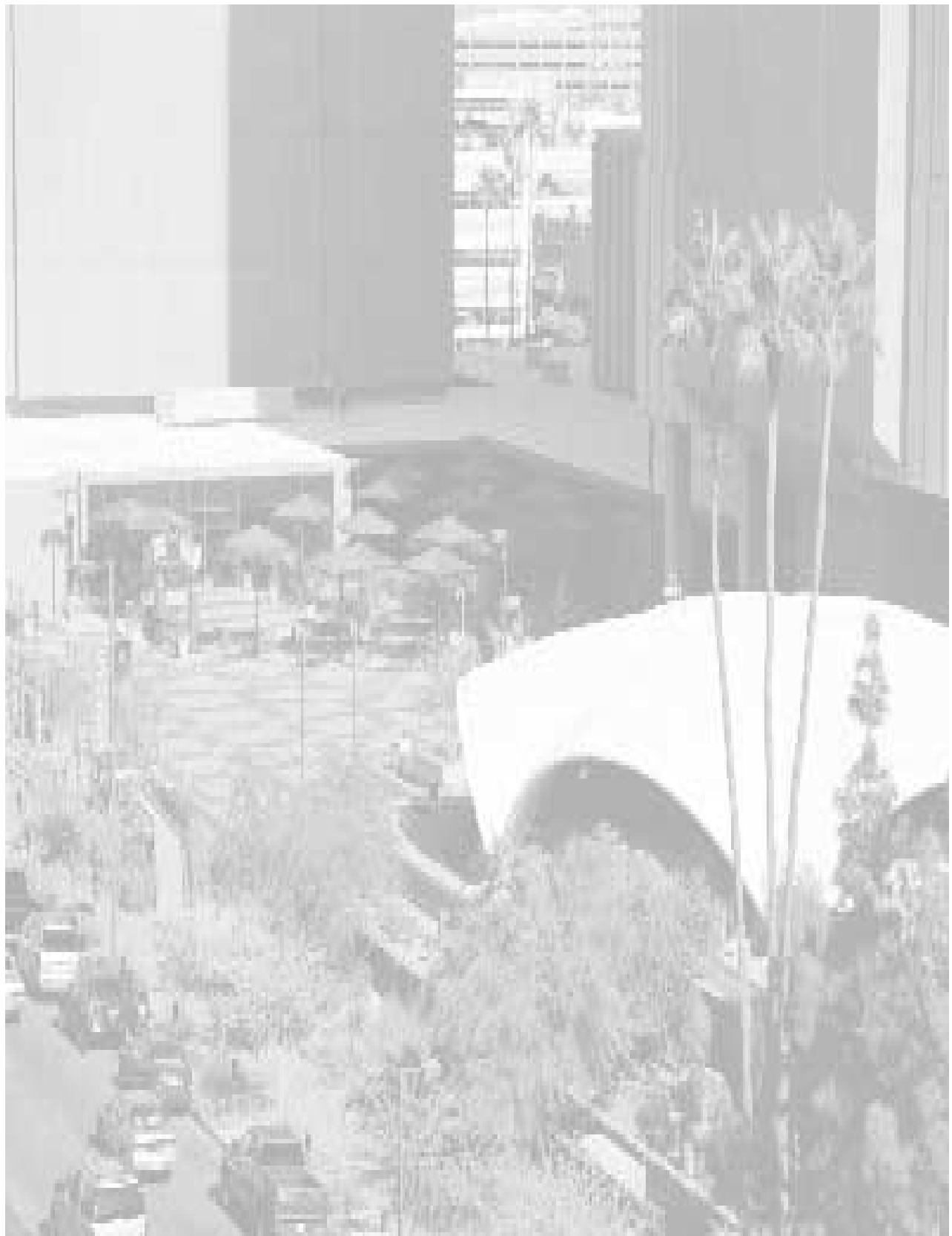


The health system's combined unreserved fund equity improved by \$52 million during fiscal years 1991 to 2000, and by \$18M between fiscal years 1999 and 2000.



The Health System projects net income will decrease by \$15.8 million (87%) in fiscal year 2001.

This negative trend is primarily due to decreases in Long Term Care membership and an increase in bad debt expense at the Medical Center.



# Table of Contents

General Fund	1
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Expenditures	8
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Health System	9
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Economic Trends	11
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# General Fund Balance

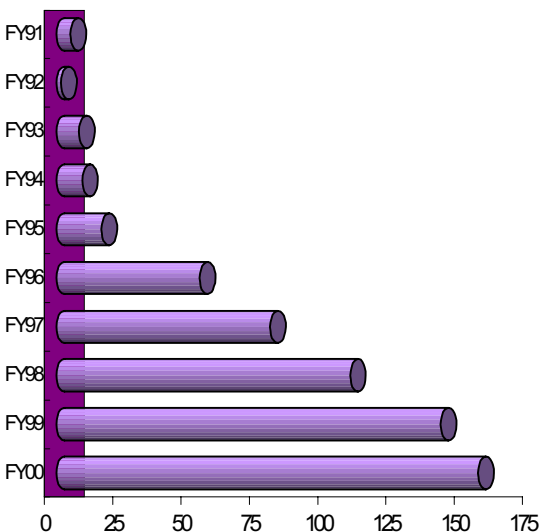
The General Fund contains all County departments except those with legally restricted revenue sources. (For example, Animal Care & Control Services' revenues (license fees, etc.) are restricted to animal care, and reported in a separate fund.)

Fund balance is the difference between what the County owns (assets) & what the County owes (liabilities).

Some General Fund balance is "reserved" for specific uses. However, remaining dollars are "unreserved", and can be used to fund additional operations at the discretion of County leadership.

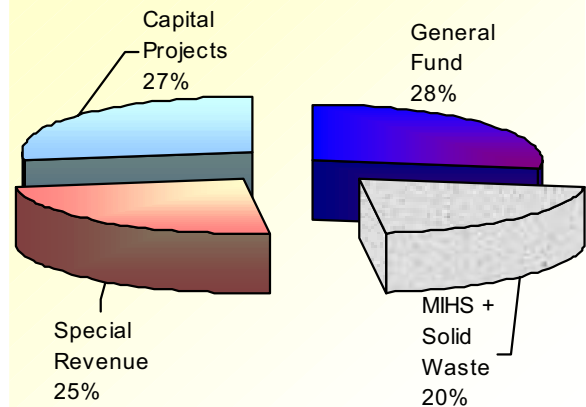
Large fund balances enable the County to complete major projects without incurring debt and provide a cushion for unexpected expenses and downturns in the economy.

## General Fund Balance (Millions)

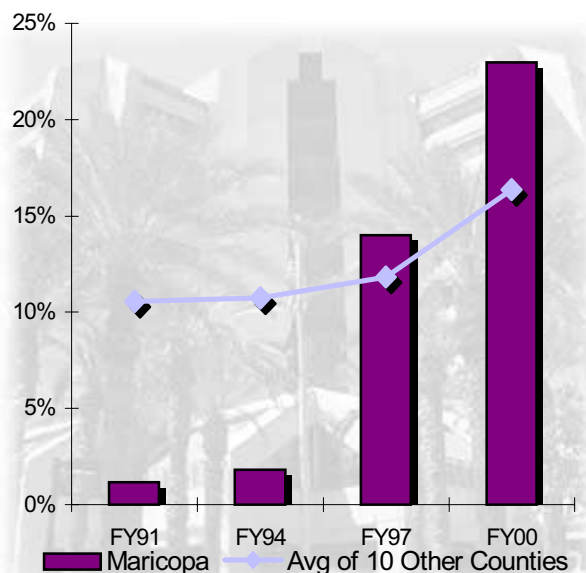


**The General Fund balance is 30 times larger in FY00 than FY91.**

## The General Fund Size Compared to Other County Funds



## Maricopa General Fund Balance as a Percent of Revenues Compared to Benchmark Counties



**Maricopa's General Fund Balance as a percent of revenues doubled in FY96-FY00.**

Maricopa's unreserved General Fund balance has steadily grown because financing sources exceeded financing uses (see page 7), and budgets provided for future capital outlay.

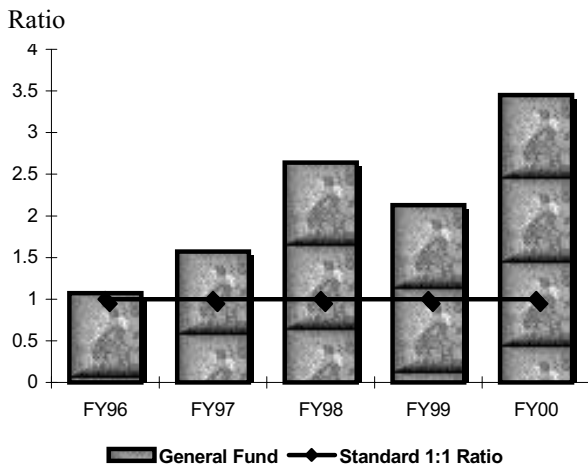
Maricopa's FY00 performance outpaced the benchmarks' performance significantly.

# General Fund Liquidity

Liquidity is the ability to pay short-term debt. Low or declining liquidity may signal debt over-extension.

An excess of cash and short-term investments is favorable. Experts recommend a one-to-one ratio. The chart below shows Maricopa's strong five year liquidity trend.

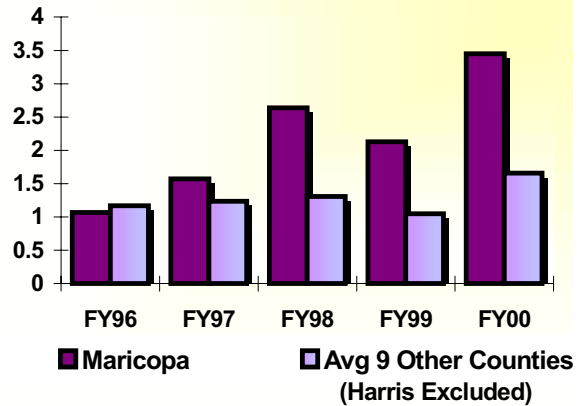
## Maricopa's Five Year Liquidity Trend



Maricopa's FY97-FY00 liquidity fluctuation was caused by timing differences in Stadium District revenues & expenditures.

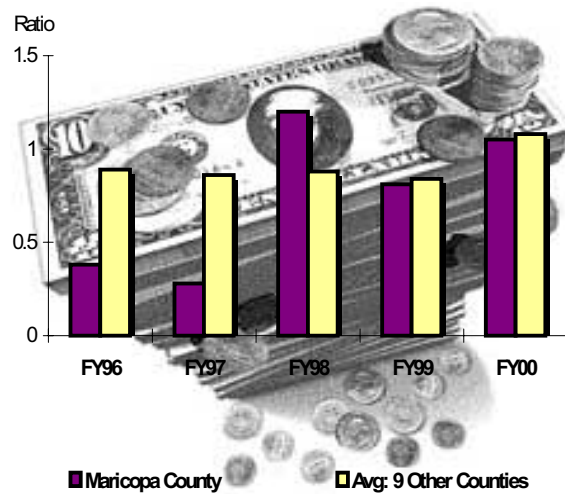
**Maricopa has \$3.45 in cash for every \$1 in current bills.**

## Maricopa Liquidity Compared to 9 Benchmark Counties' Average



**Maricopa has twice the ability to pay current bills as the average benchmark.**

## Maricopa's Liquidity Compared to 9 Benchmarks After Deducting Internal IOU's

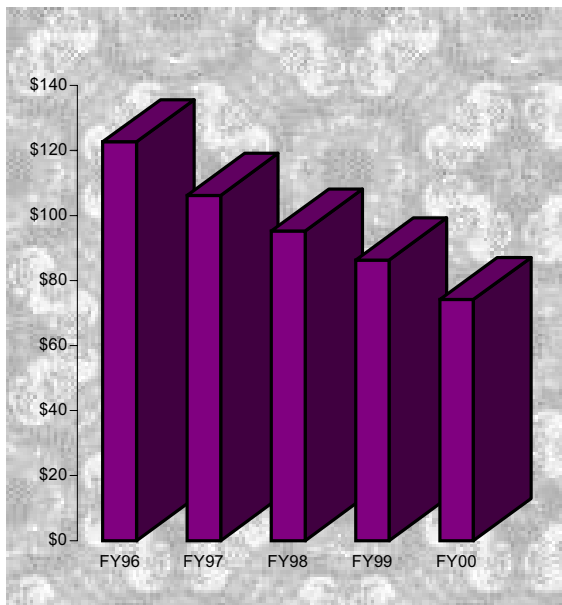


Internal IOU's are monies owed to the General Fund by other funds (the Medical Center, etc.). Comparing the two charts above shows that Maricopa's strong liquidity is dependent upon repayment of these IOU's (more so than the benchmarks). However, Maricopa has an additional \$45M available in an FY01 Capital Project fund.

# Long Term Debt

- Governments borrow money over long periods of time to finance assets that serve citizens for many years, i.e., buildings, road improvements, and stadiums.
- Long-term debt takes many forms: Bonds, Capital Leases, Certificates of Participation, Special Assessments, and Employee Compensation Payables.
- Long-term debt decreases are considered favorable providing infrastructure is adequately maintained.

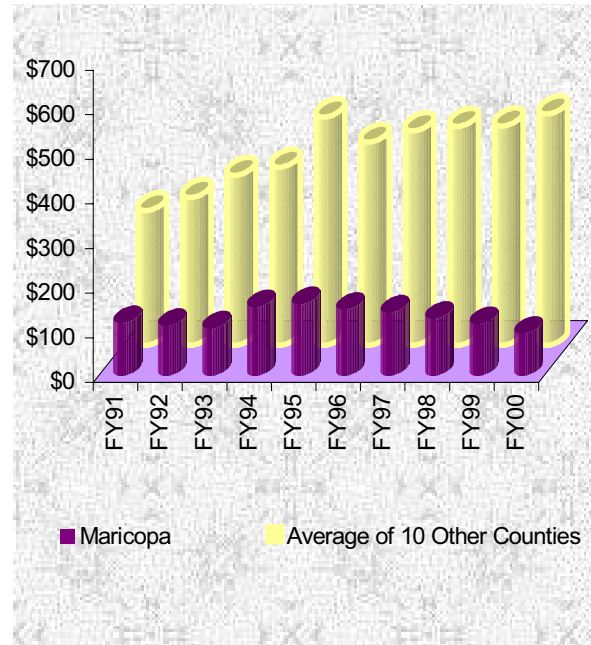
## Maricopa Long Term Debt per Citizen FY96—FY00 (adjusted for inflation)



*Note: Stadium and Housing debt are not included in the graph above.*

**Maricopa's FY00 long term debt is one fifth the size of the benchmark average.**

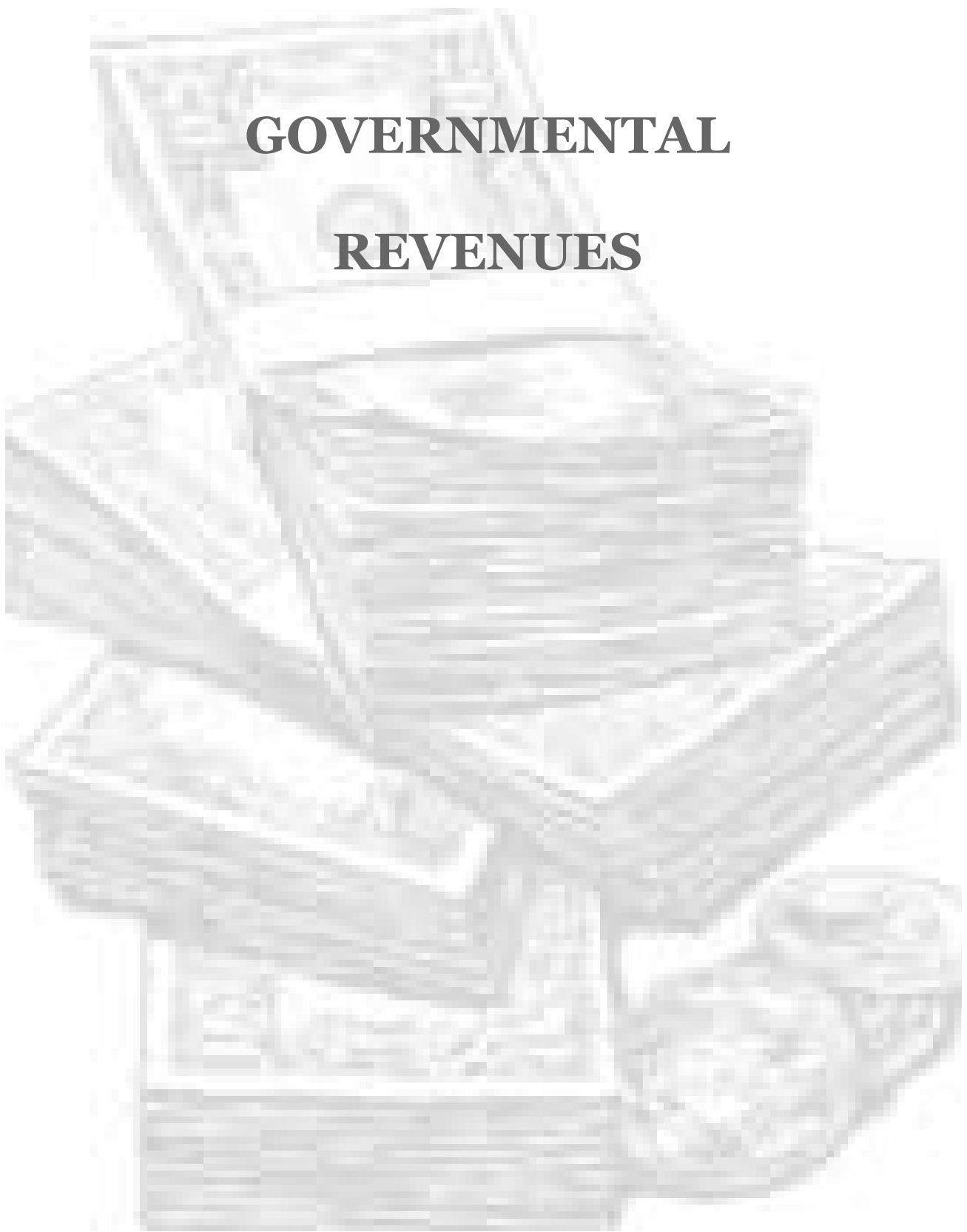
## Maricopa Per Person Long Term Debt Compared to Benchmarks



- Maricopa's long-term debt per capita is far below the benchmark average and has contributed to bond rating upgrades.
- Debt is commonly used to pay for capital improvements.
- Debt should not increase faster than the County's tax base, extend past the financed facility's useful life, or jeopardize credit ratings.
- Debt should not be used to balance the budget or result in payment amounts that overburden operations.



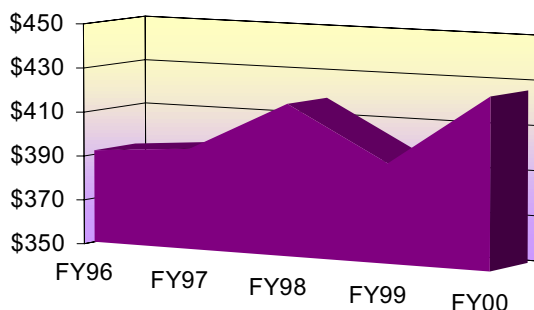
# **GOVERNMENTAL REVENUES**



# Governmental Revenue

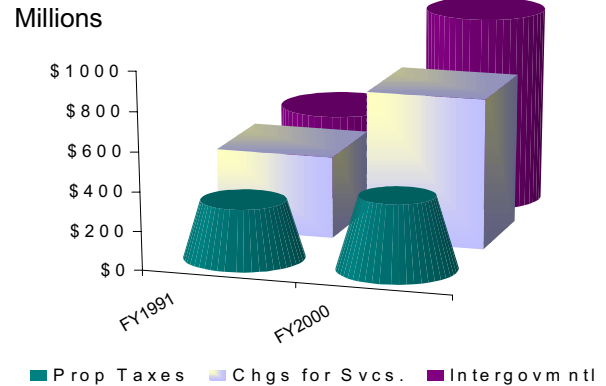
- Governmental Fund revenues include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- Maricopa's FY98 Governmental Fund revenues were high relative to other years because major league stadium construction revenues reached their peak in FY98.
- FY99 revenues showed a marked decrease because Stadium tax revenues matured and ended.
- Small revenue increases, like Maricopa's, represent a lower tax burden. Some experts caution that per person revenues must increase to keep pace with service delivery expectations, assure long term financial health, and avoid short-term borrowing.

## Maricopa Per Person Governmental Revenues



**Maricopa's Governmental Fund revenues per capita increased 9% between FY91 and FY00 (adjusted for inflation).**

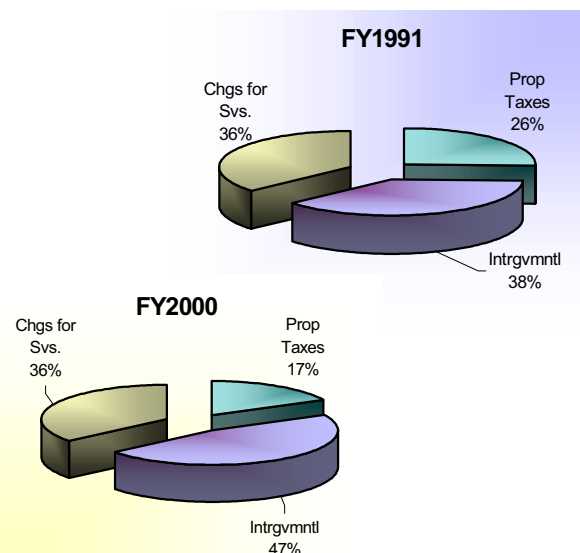
## Maricopa's Three Largest Revenues



- The chart above shows that Charges for Services and Intergovernmental Revenues increased in actual (uninflated) dollars between FY91 and FY00.
- The chart below shows that the County's proportionate reliance on Intergovernmental Revenue has increased, while Charges for Services have remained flat.
- Page 5 shows Intergovernmental and Charges for Services composition.

**Maricopa's reliance on an external revenue source (sales tax) increased.**

## Revenues: Relative Size Then & Now



# Revenue Composition

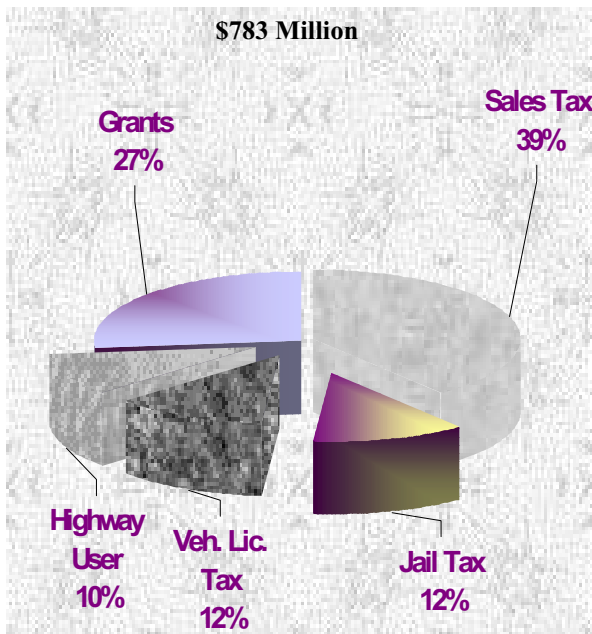
- Intergovernmental revenue consists of monies received from other governmental entities (federal, state and local). It's often earmarked for specific programs.

For example, the Arizona Department of Health gives Maricopa grant monies to operate the Tobacco Use Prevention Program.

- Intergovernmental revenue includes taxes collected by the State of Arizona and distributed to Maricopa and other entities.

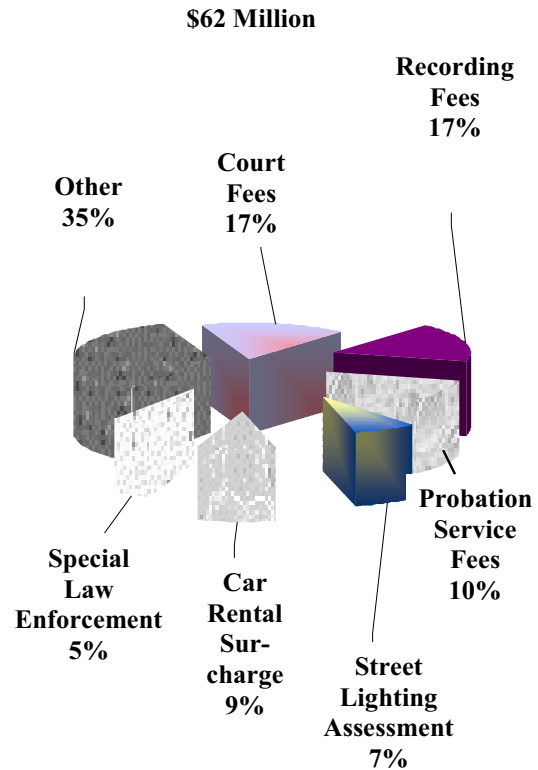
For example, the Department of Revenue collects sales taxes and distributes a large portion to the counties based upon a statutory formula.

## Intergovernmental Revenue



Intergovernmental revenue is one of Maricopa's largest revenue sources.

## Fee-Generating Services



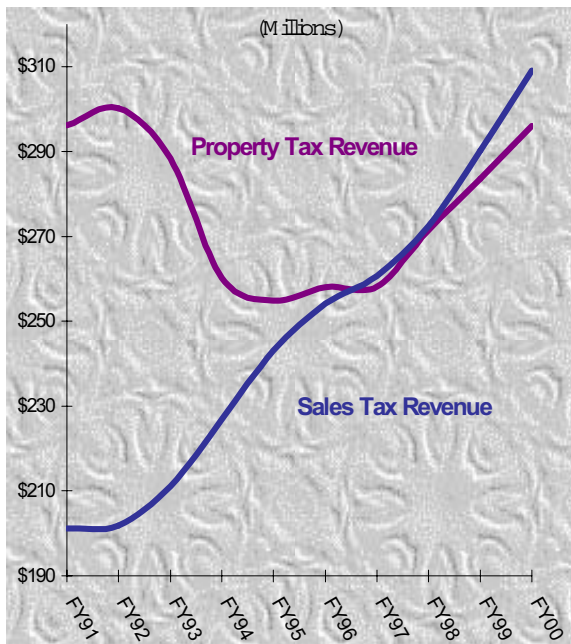
- The chart above shows the services Maricopa provides on a fee-for-service basis.
- Generally, charges are assessed for services affecting a small segment of Maricopa citizenry.



# Revenue Trends

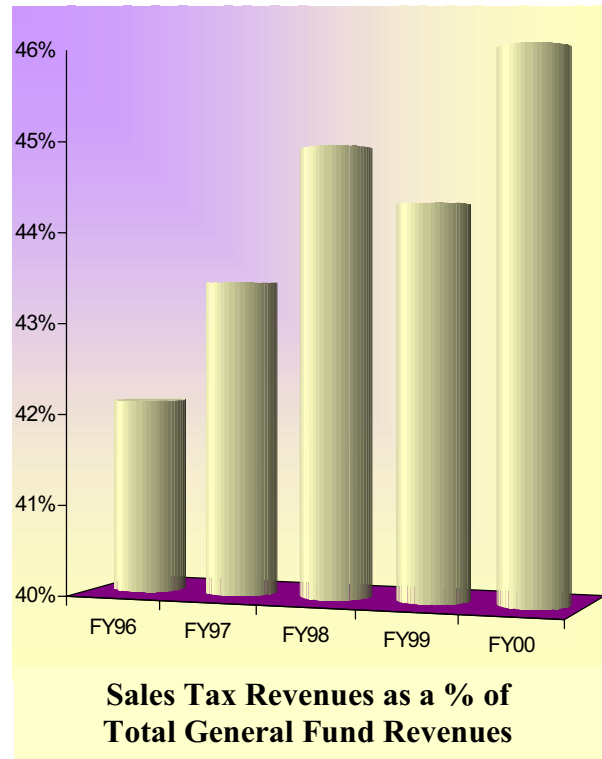
- Sales taxes are collected and distributed by a separate governmental entity, AZ State Department of Revenue, and are therefore outside County control.
- Maricopa's increasing reliance on sales tax revenue creates vulnerability to economic forces such as sales tax revenue declines caused by economic recession.
- Maricopa has more control over property tax revenue through setting rates (within constitutional limits). Although taxpayers may view lower property taxes as favorable, an increased dependence on sales tax may be considered unfavorable.

## Two Major Revenues in 2000 Dollars

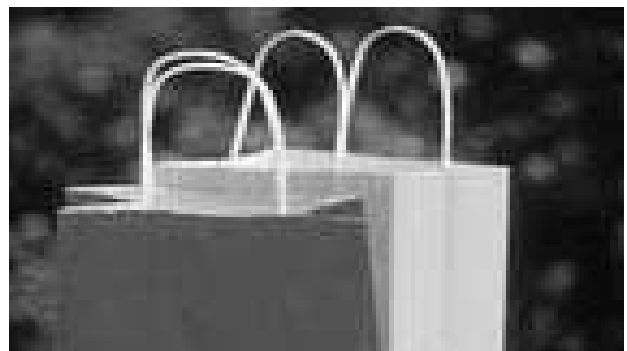


Sales tax revenues increased by 54% (FY91 - FY00), while property tax revenues were the same in FY00 as in FY91 (in 2000 dollars).

## Maricopa's Reliance on Sales Tax Revenues Increases



- Sales tax revenues make up 46% of Maricopa's FY00 General Fund revenues, a 28% increase over FY91. This indicates an increasingly heavy reliance upon an "elastic" economy- dependent revenue.
- Sales taxes are vulnerable to external economic forces and increasing Internet sales pose a threat to sales tax collectibility.
- Maricopa uses a local economist's forecast to monitor the impact of economic and technological trends, including e-commerce, on the County's sales tax revenues.



# Governmental Revenue Forecasting

The graph below shows how much General Fund revenues exceeded or fell below revenue estimates. Maricopa revenues have surpassed budget targets by larger and larger amounts.

**Since 1994, General Fund revenues have consistently exceeded estimates. FY00 revenues were \$34 million more than the forecast.**

- Early 1990's revenue shortfalls contributed to financial difficulties the County experienced at that time. (See Appendix A5 for more detail.)
- A changing economy, inefficient revenue collection, inaccurate estimates, or conservative budget estimates are the most common causes of budget-to-actual variances.

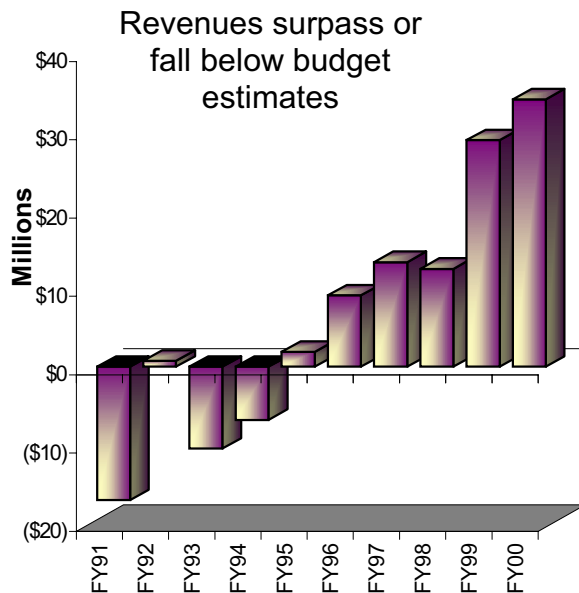
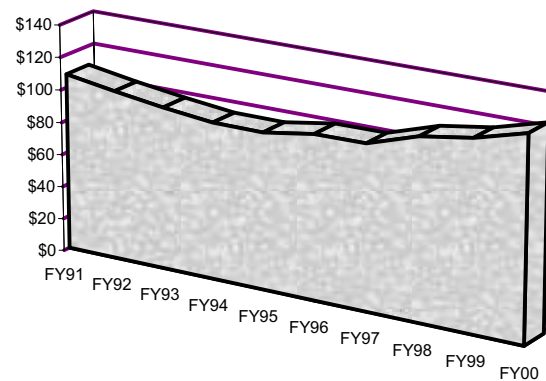


Chart above includes property, sales tax, and vehicle license tax revenues.

## The Widening Gap: Market vs. Assessed Per Person Property Values



On a per person basis, market values increased 5% (FY91 to FY00) while assessed values decreased by 7%. Property tax revenues have not benefited from the rise in market values because these revenues are calculated using assessed values and a relatively stable tax rate. (See property tax revenue trend on page 6.)

Note: Assessed and market values are in 2000 dollars.

## General Fund Sources vs. Uses Variance



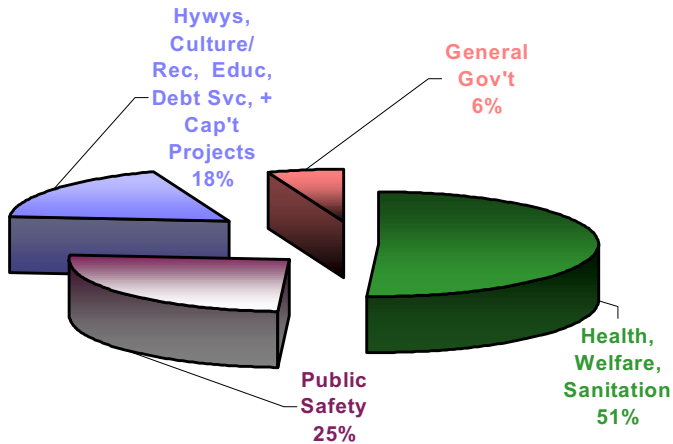
"Sources" are revenues and other inflows such as debt issuance and transfers in from other funds. "Uses" are expenditures and other outflows such as transfers to other funds. In FY91-94, uses outpaced sources, resulting in lower fund balances (see pg. 1, Unreserved Fund Balance). Sources exceeded uses during FY96 - FY00 by a healthy margin. Total sources decreased slightly more than uses between FY99 and FY00 because of changing levels of capital financing, capital expenditures, and treatment of disproportionate share.

# EXPENDITURES



# Expenditures

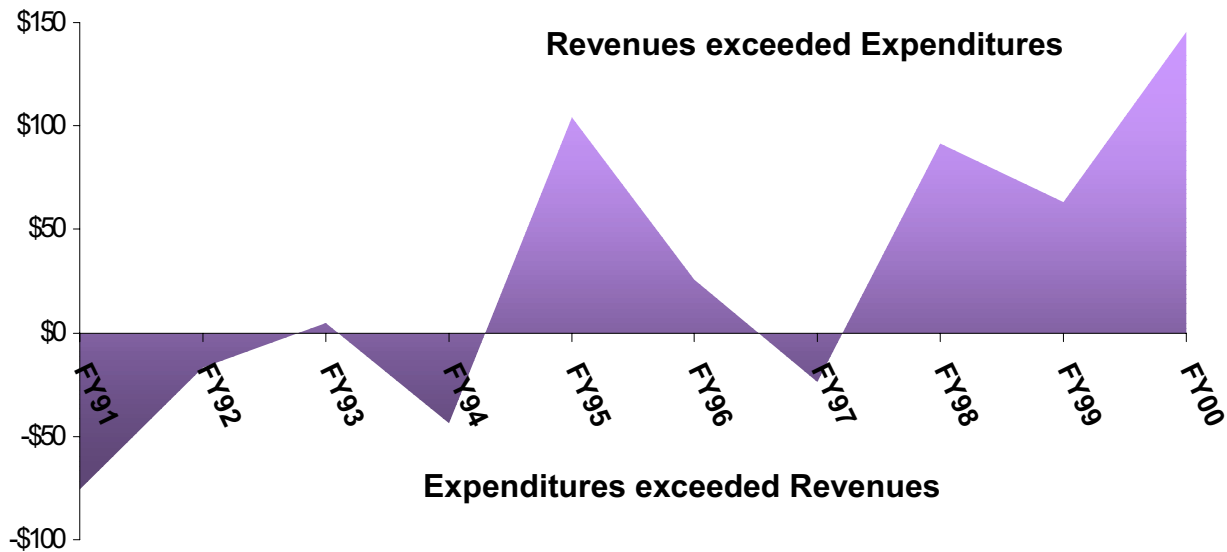
## How Maricopa spends its Resources: Total County FY00 Expenditures



Health and Welfare per capita expenditures decreased by 7% between FY91 and FY00 as adjusted for inflation.

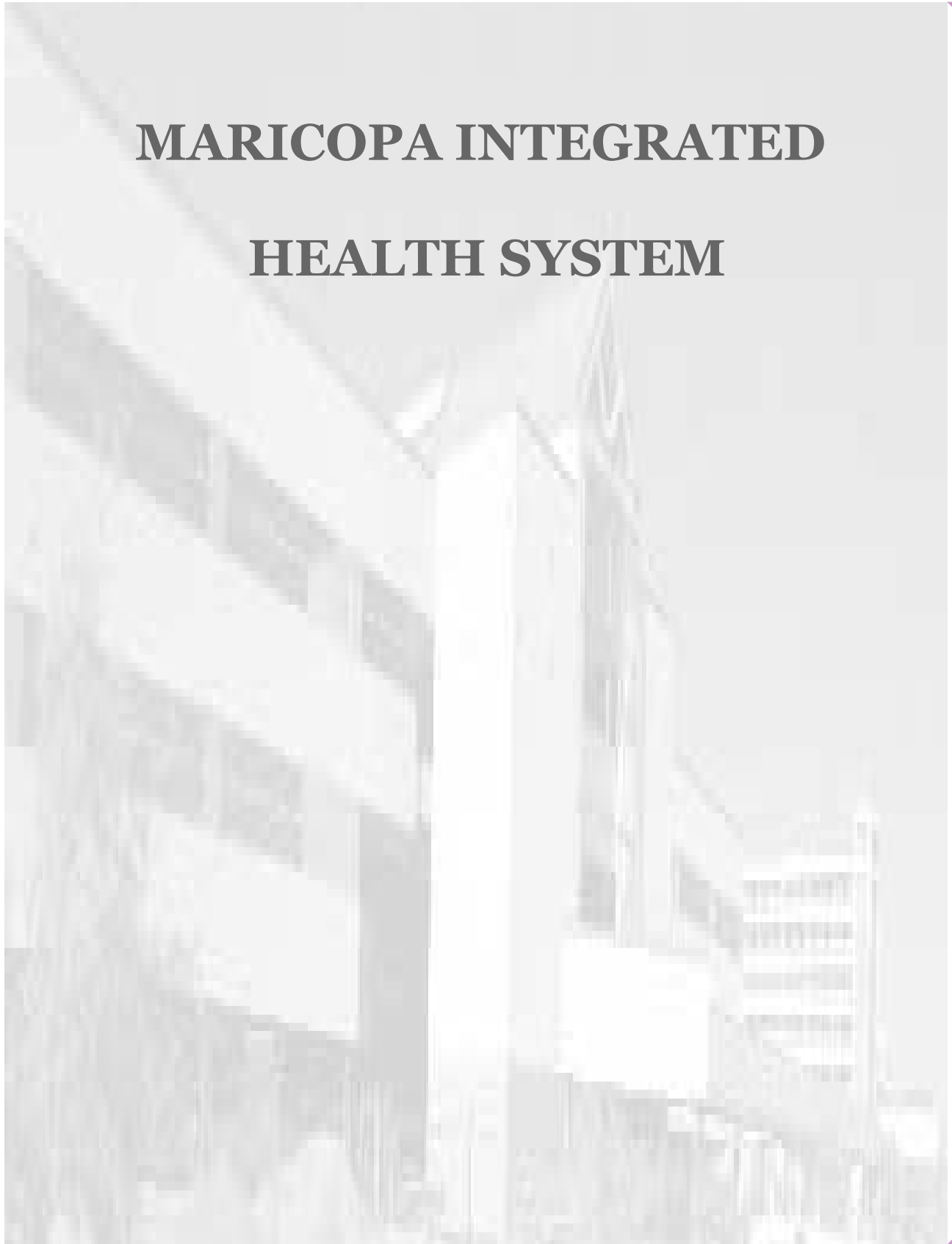
Category	FY00 Expenditures (Millions)	Percent of Total Expenditures
Health, Welfare, & Sanitation	\$842	51%
Public Safety	\$422.5	25%
Capital Projects	\$181	11%
General Government	\$91	6%
Highways, Streets	\$55.5	3%
Debt Service	\$32	2%
Education	\$18	1%
Culture, Recreation	\$15	1%
<b>TOTAL</b>	<b>\$1,657</b>	<b>100%</b>

## Gap between Total County Revenues & Expenditures (Millions)



Revenues exceeded expenditures by a healthy margin in FY95-FY00 except for FY97 when large planned capital project expenditures (including Stadium) caused a negative variance. In the early 1990's, expenditures exceeded revenues and resulted in County fiscal difficulties.

# **MARICOPA INTEGRATED HEALTH SYSTEM**





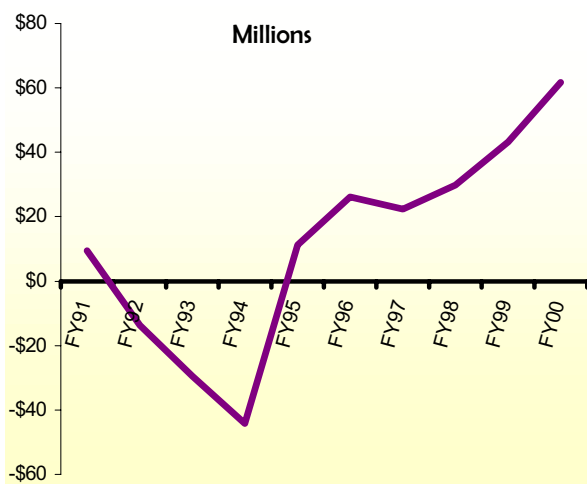
# MIHS Fund Equities

## MIHS Combined Unreserved Fund Equity

- MIHS combined unreserved fund equity improved by \$52 million between FY91 and FY00.
- During the most recent year (FY99 to FY00) MIHS combined unreserved fund equity increased by \$18 million.

The most notable change in equity was an \$87 million improvement between FY94 and FY00—a 200% increase.

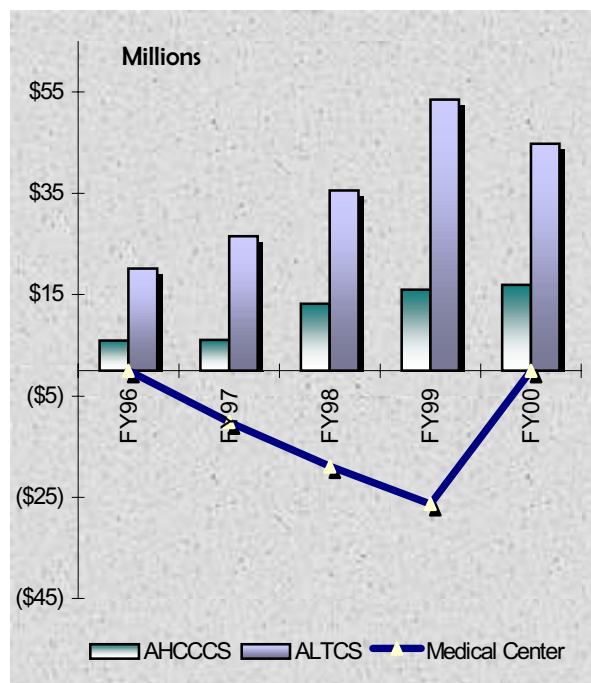
## MIHS Combined Unreserved Fund Equity



The graph above combines the following fund equities:

- Medical Center
- Maricopa Health Plan  
(AHCCCS Acute care)
- Long Term Care Program (ALTCS).

## MIHS Unreserved Fund Equity Components



- In FY00, ALTCS transferred \$34M to the Medical Center via the General Fund.
- Without this \$34M transfer, the Medical Center's FY00 accumulated deficit would have been (\$34M) instead of \$0, and the ALTCS unreserved fund equity would have been \$79M instead of \$45M.
- Since FY96, the Health Plan & ALTCS have shown strong unreserved fund equity, while the Medical Center has not ended a year with a positive unreserved fund equity balance.

*Note: The charts show an FY00 CAFR restatement: the \$34M Medical Center increase reclassified from contributed capital to unreserved retained earning.*

**MIHS' two primary Health plans show strong fund equity, while the Medical Center shows a weak fund equity position.**

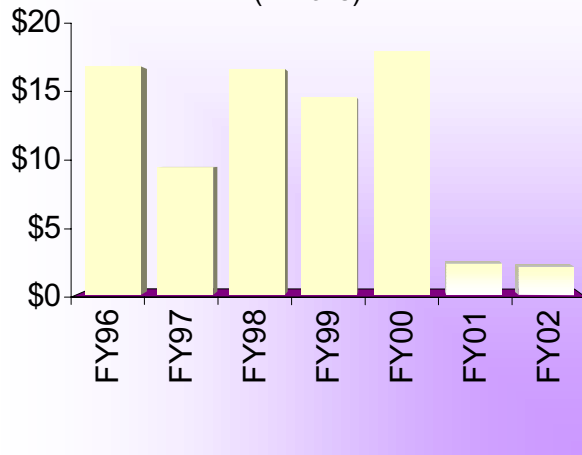


# MIHS Income and Long Term Care

## MIHS Combined Net Income

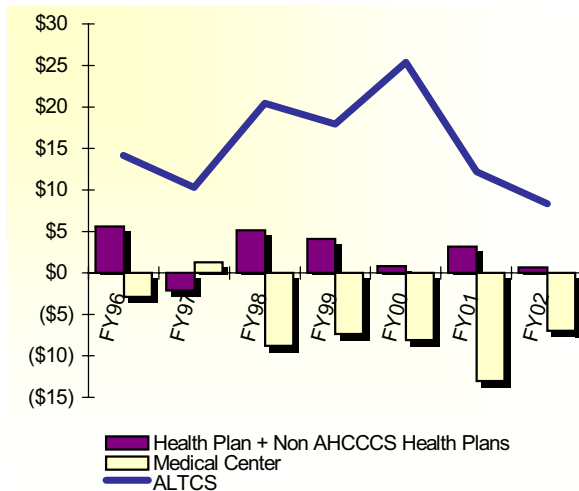
FY01 & FY02 are Projected

(Millions)



MIHS projects a \$15.8 M (87%) combined net income decrease (FY00 to FY01) primarily due to a decrease in Long Term Care Program (ALTCS) membership and an increase in Medical Center bad debt expense.

## MIHS Component Net Income (Millions) (FY01 & 02 projected)



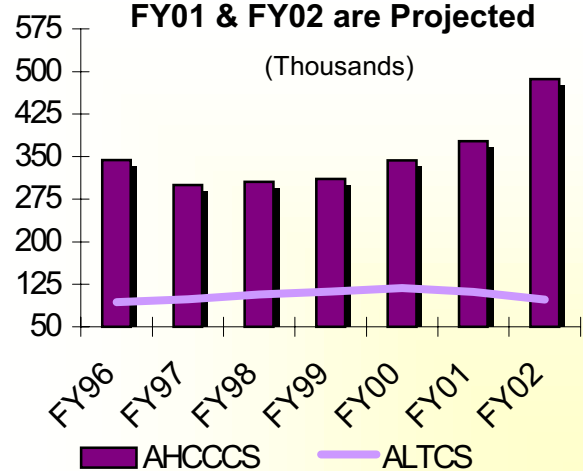
FY01 projected income compared to a 3 year average (FY98-00), shows:

- Medical Center: \$5M (61%) decrease
- Long Term Care: \$9M (43%) decrease
- AHCCCS Health Plan and non-AHCCCS plans (combined): \$160K (5%) decrease.

## Enrollment for Two MIHS Health Plans shown in Member Months

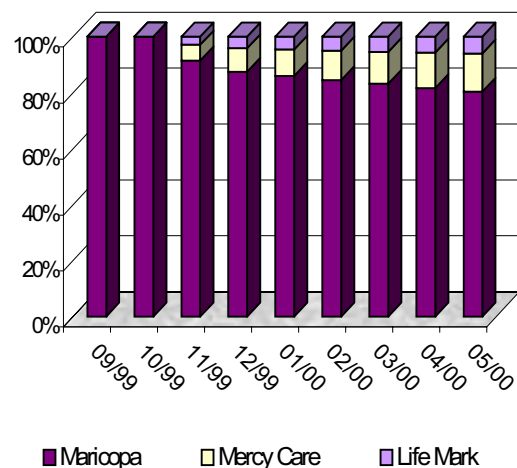
FY01 & FY02 are Projected

(Thousands)



MIHS' two largest health plans are AHCCCS and ALTCS. MIHS forecasts ALTCS member month decreases (FY01-FY02) resulting from AZ opening the ALTCS contract to other program providers. The graph above shows FY96-FY00 actual member month data, and FY01-02 MIHS projections. The term "member months" represents a total number of members enrolled by month.

## Recent MIHS ALTCS Market Share Decreases



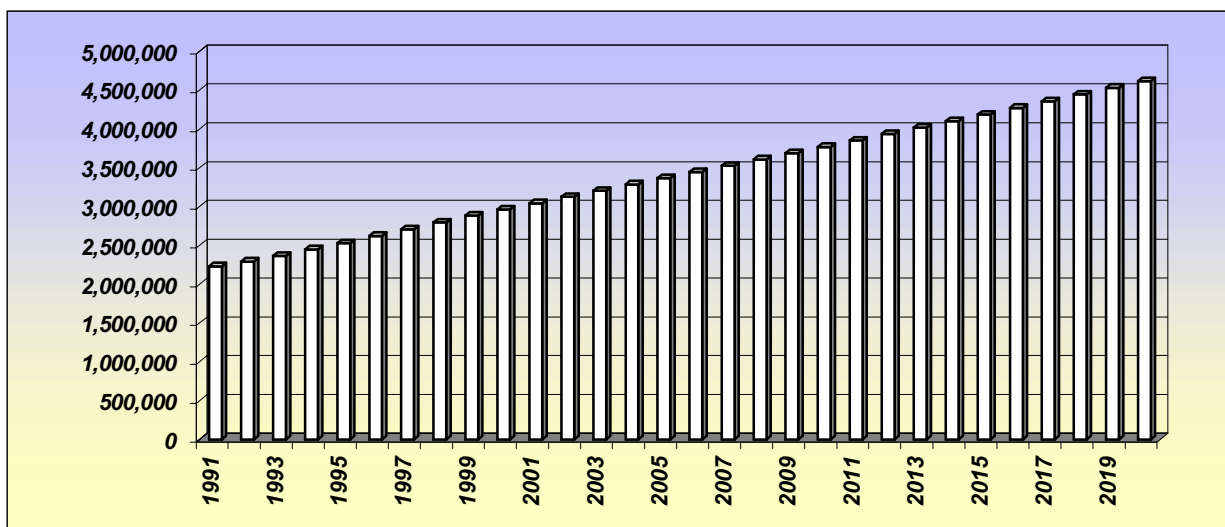
ALTCS enrollment figures for three of the largest providers are compiled by Arizona AHCCCS. The chart above shows that Maricopa's market share has been reduced by 20%.

# ECONOMIC TRENDS

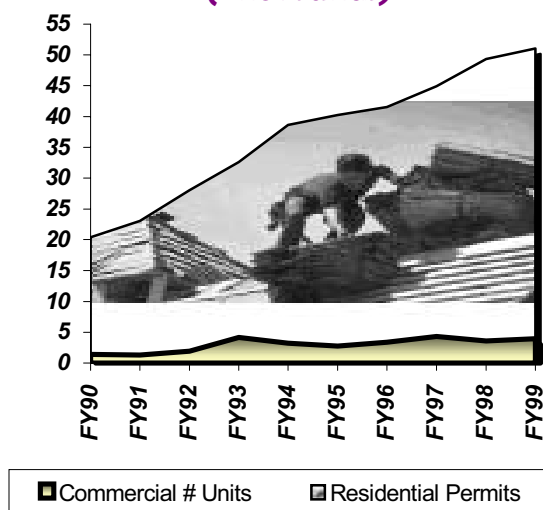


# Population and Housing Permits

## Maricopa Population History and Projections



## Maricopa Construction Permits (Thousands)



- Population increases contribute to revenue growth and pressure for more services.
- Commercial building units grew 183%, while residential permits grew 148% over the same period (FY90-FY99).
- In contrast, Maricopa's population grew 35% (FY90-FY99).
- Residential permits growth reflects the significant population increases.
- Permit growth indicates future property tax revenue growth.

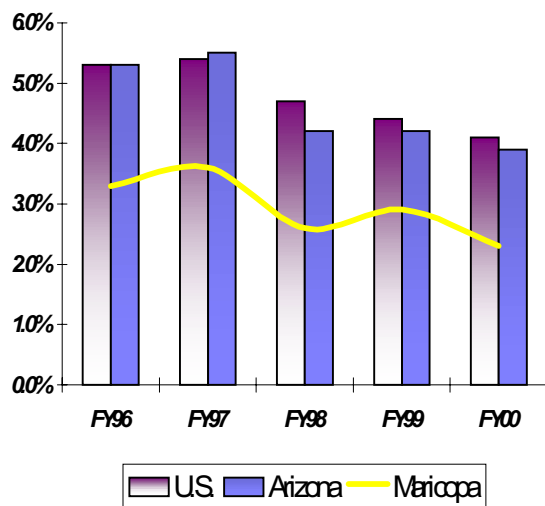
Population growth results in construction growth and property tax revenue growth. Residential construction has steadily increased. Residential construction increases cause Maricopa leaders to consider:

- Do service costs for new residents equal corresponding new revenues?
- Is business activity growth proportional to residential development?
- Which services will be impacted by construction growth?

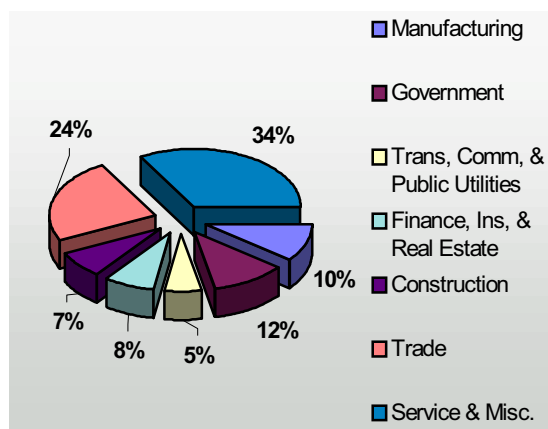
# Unemployment and Labor Force

- Maricopa's unemployment rate has remained below the national and AZ rates since 1991
- Between FY91 & FY00 Maricopa's unemployment rate dropped by 47 % while AZ's dropped 19% and the US rate dropped 41%.

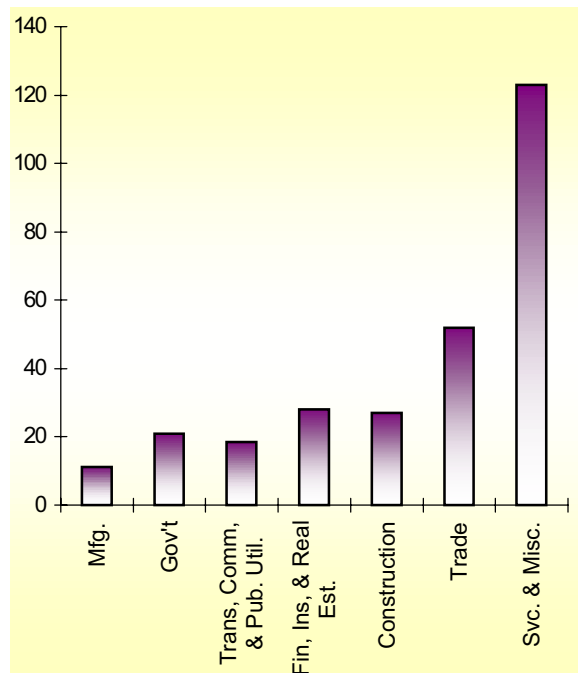
## Unemployment Rate Comparison



## Maricopa Jobs By Category FY00



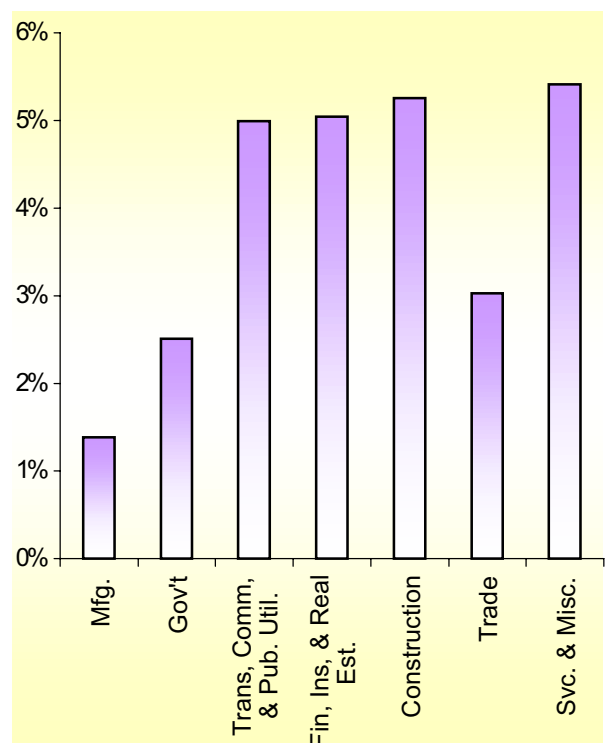
## Job Growth FY96—FY00 (Thousands)



Maricopa's low unemployment rate contributes to fiscal health.

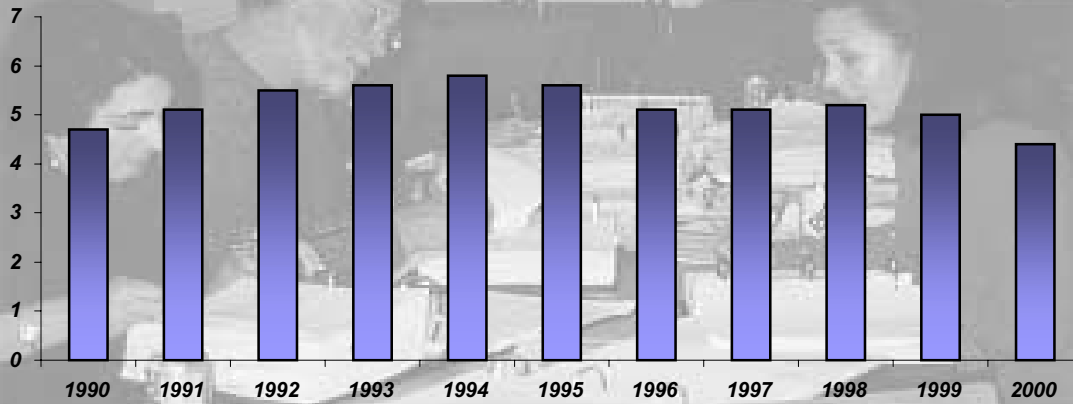
Maricopa's FY00 rate was only 56% of the US rate, and 59% of the AZ rate.

## Job Growth (Percent) FY96—FY00

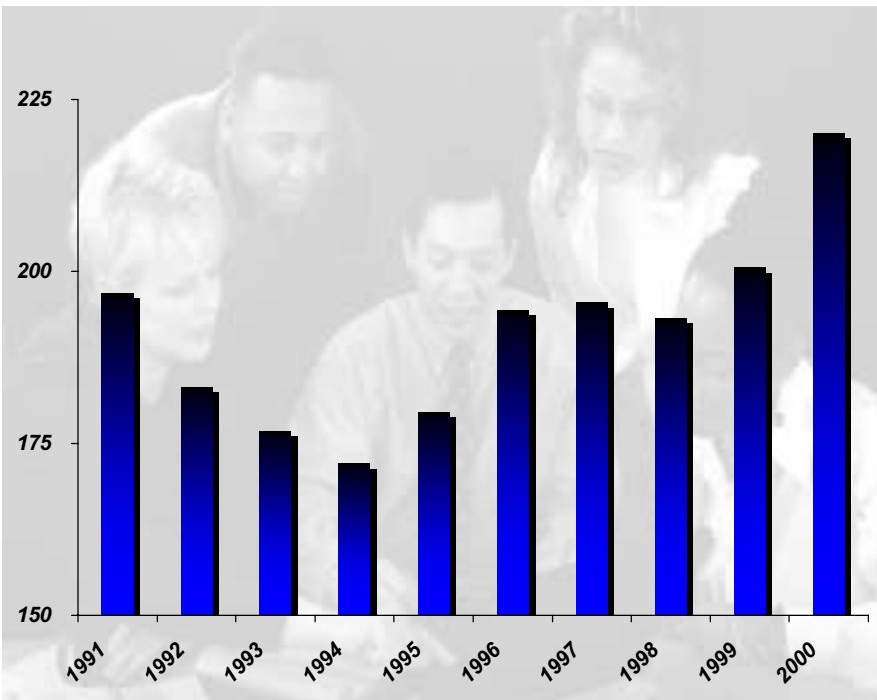


# Employee Data

*Number of Employees Per Thousand Citizens*



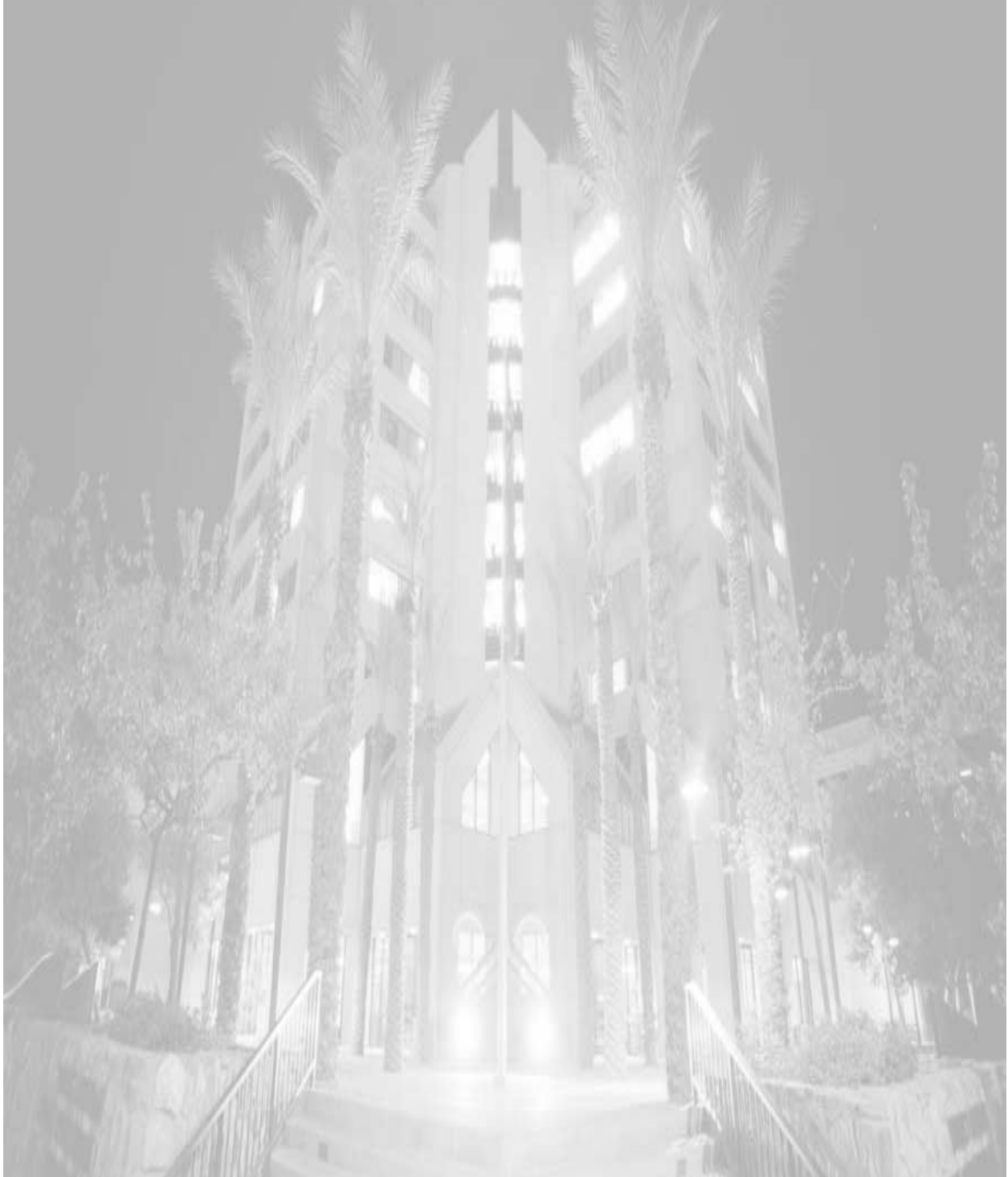
The number of County employees per citizen decreased 21% between 1995 and 2000.



*The Number of Citizens Each Employee Serves*



# APPENDIX





## **Definition**

Financial Condition is defined as a local government's ability to finance services on a continuing basis. A county in good financial condition can sustain existing services to the public, withstand economic slumps, and meet the demands of changing service needs.

## **Objectives, Scope, and Methodology**

The objective of this report is to evaluate the financial condition of Maricopa County using key indicators. The selected indicators were derived from authoritative sources on evaluating governmental entity financial conditions, and judged to be the most indicative of a county's overall financial health.

Ten benchmark counties' and Maricopa County's audited financial statements were used as primary sources of data for this report. The benchmark counties are:

Ø Clark	(Las Vegas, NV)
Ø Harris	(Houston, TX)
Ø King	(Seattle, WA)
Ø Multnomah	(Portland, OR)
Ø Orange	(Santa Ana, CA)
Ø Pima	(Tucson, AZ)
Ø San Diego	(San Diego, CA)
Ø Santa Clara	(San Jose, CA)
Ø Salt Lake	(Salt Lake City, UT)
Ø Los Angeles	(Los Angeles, CA)

Other sources include the Governmental Accounting Standards Board (GASB), the International City/County Managers Association (ICMA), ASU Center for Business Research, Arizona Department of Economic Security Research Administration, Arizona Department of Revenue Econometrics Unit, Maricopa County's Strategic Plans (budgetary documents), and Auditor General Reports.

The focus of the analysis was on the General Fund, but does include other funds when the General Fund is affected by the other fund(s), or when an overall County trend is examined. When pertinent, each section and graph presented define the fund(s) included in the analysis.

Trend analysis is used in this report. Trend analysis involves examining financial indicators' historical data over several years. A trend is defined as the direction the data is moving over a three-to-five year period.

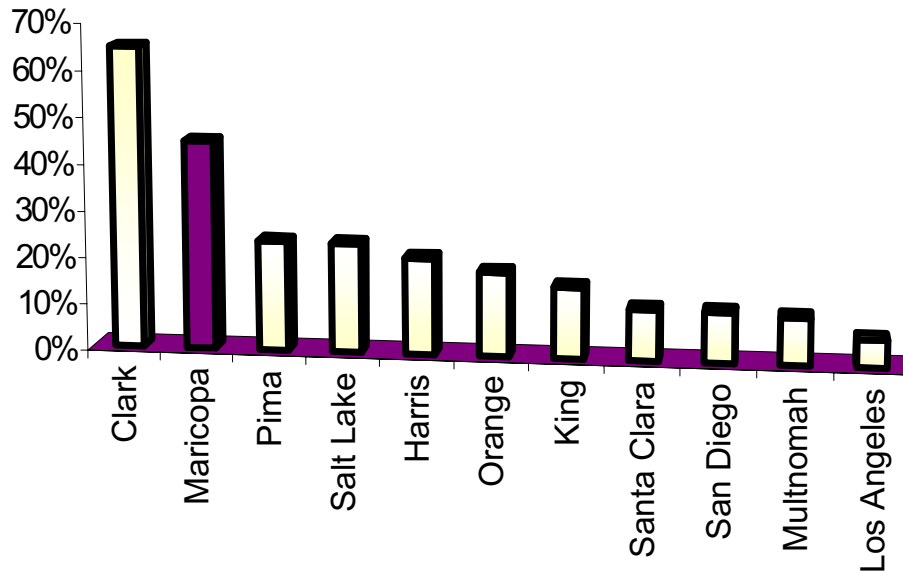
Fiscal years are identified as "FY96" (fiscal year ending June 30, 1996). Numbers are referred to as "actual," otherwise as "adjusted for inflation", "constant", or "real" (e.g., "2000 dollars"). An "actual" number is the amount originally published in the CAFR. An "adjusted for inflation" or "constant" number has been adjusted to the purchasing power of a 2000 dollar. The adjustment for inflation was made according to the "U.S. Consumer Price Index—All Items."



## Benchmark Comparisons-

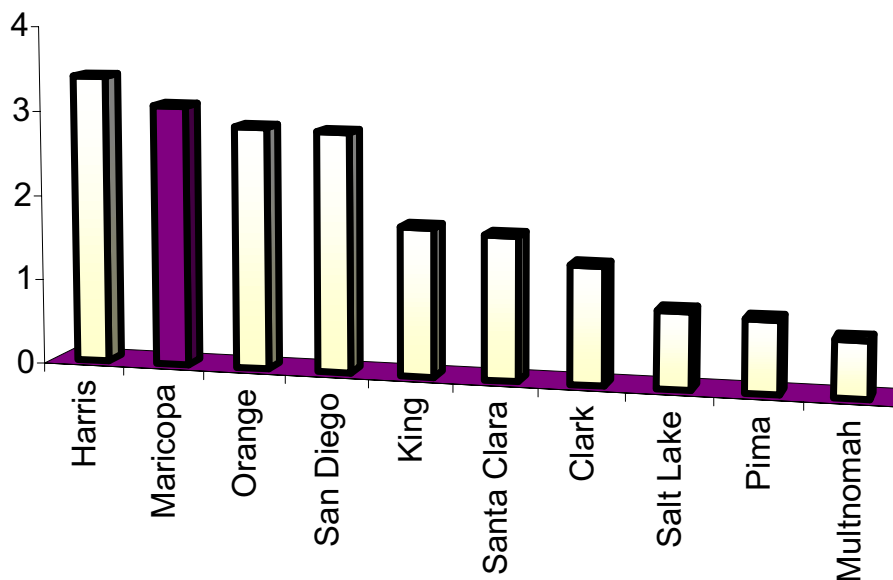
The graphs below show key characteristics for ten sister counties as compared to Maricopa County (Los Angeles excluded from some views). Population growth rates and numbers are based on 2000 U.S. Census data.

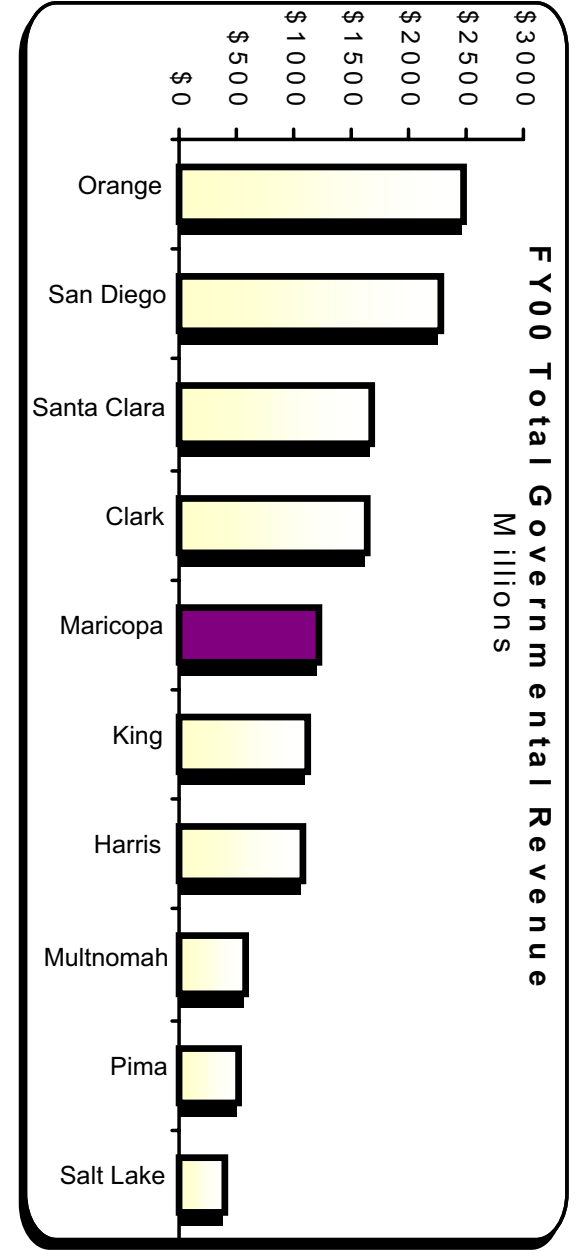
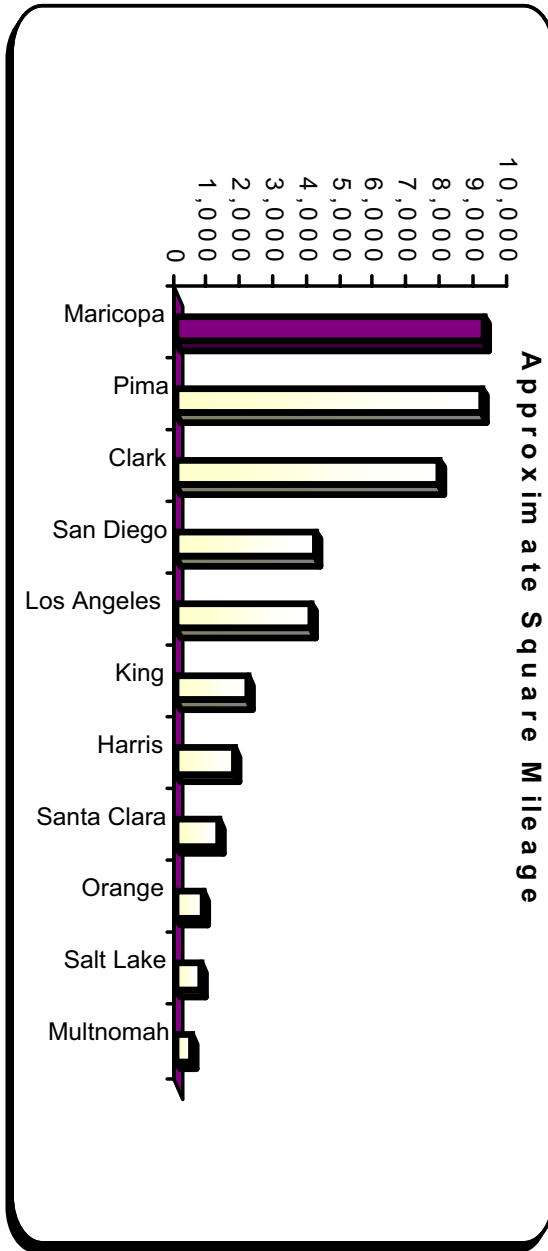
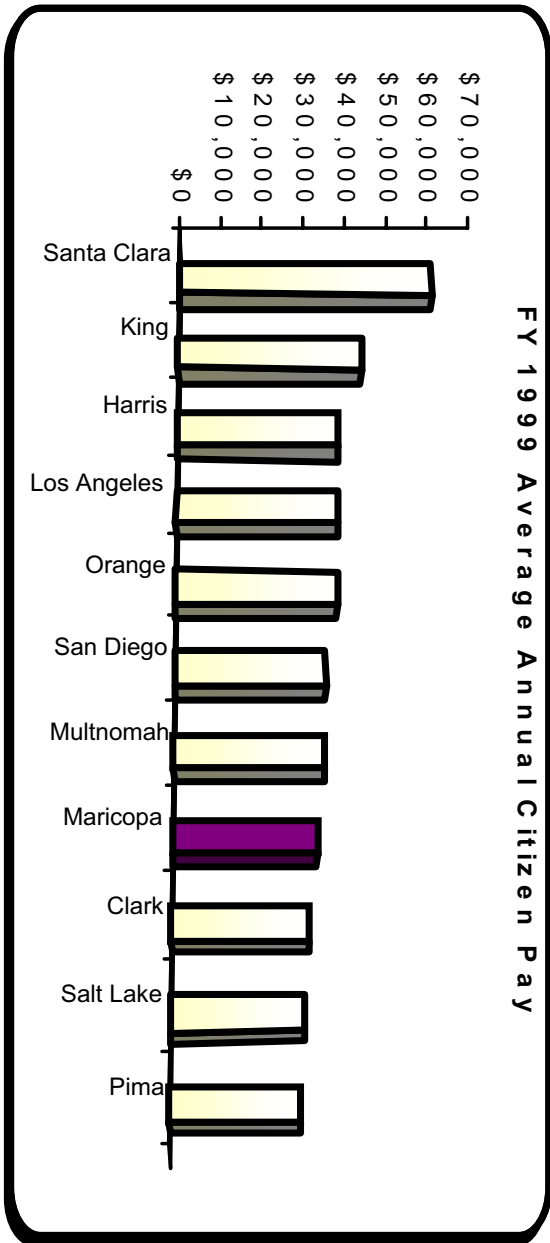
Population Growth Rates Between FY91-FY00



Millions

FY00 Population Comparison





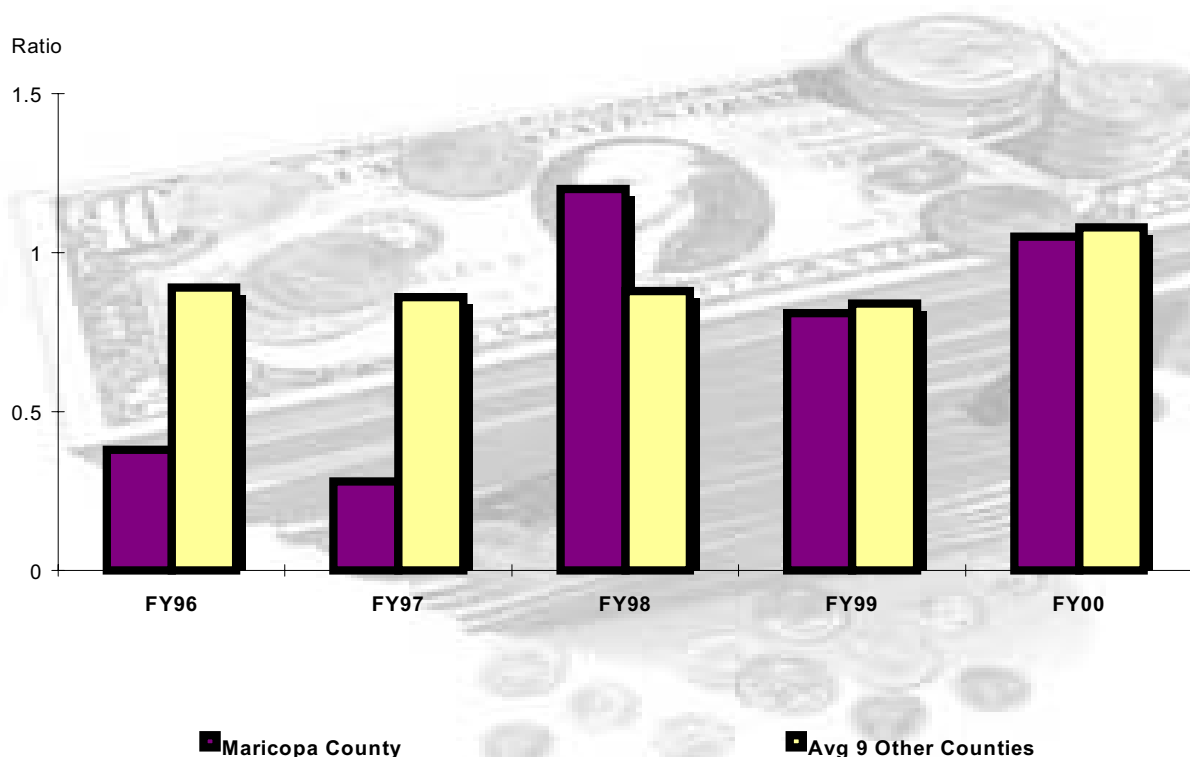
## Liquidity

The International City/County Management Association (ICMA) recommends a formula for calculating liquidity that divides cash and short-term investments by current liabilities. On page 2 of this report, we present liquidity ratios that include “Amounts Due From Other Funds” as well as cash and short-term investments in the numerator of the equation. These amounts are largely comprised of General Fund cash that was reclassified to cover cash deficits of the Medical Center. Such a view implies that these cash deficits will ultimately be repaid.

The following graph presents the alternative view that conforms to the ICMA recommended formula (cash and short-term investments divided by short-term liabilities). This view depicts the effect that “Amounts Due From Other Funds” has on the liquidity ratio. It may also present a more realistic measure of liquidity as the Medical Center has a multi-year history of cash deficits. GASB 34 states that effective FY02, “...if repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.” It is the position of County Financial Management that the Health System should be viewed as a single enterprise when determining its fiscal relationship to the General Fund, and could therefore eliminate the necessity for such a transaction when GASB 34 is implemented.

Note that Maricopa County’s liquidity ratio fell under the ICMA’s recommended 1:1 ratio in FY99 using the ICMA formula, but came in slightly over the recommended ratio in FY00. It is notable that a greater portion of Maricopa’s General Fund cash equivalents consist of “Amounts Due From Other Funds” than the benchmark average. However, Maricopa had additional FY01 monies (\$45M) available in a Capital Project fund.

### Maricopa’s Liquidity Compared to 9 Benchmarks After Deducting Internal IOU’s

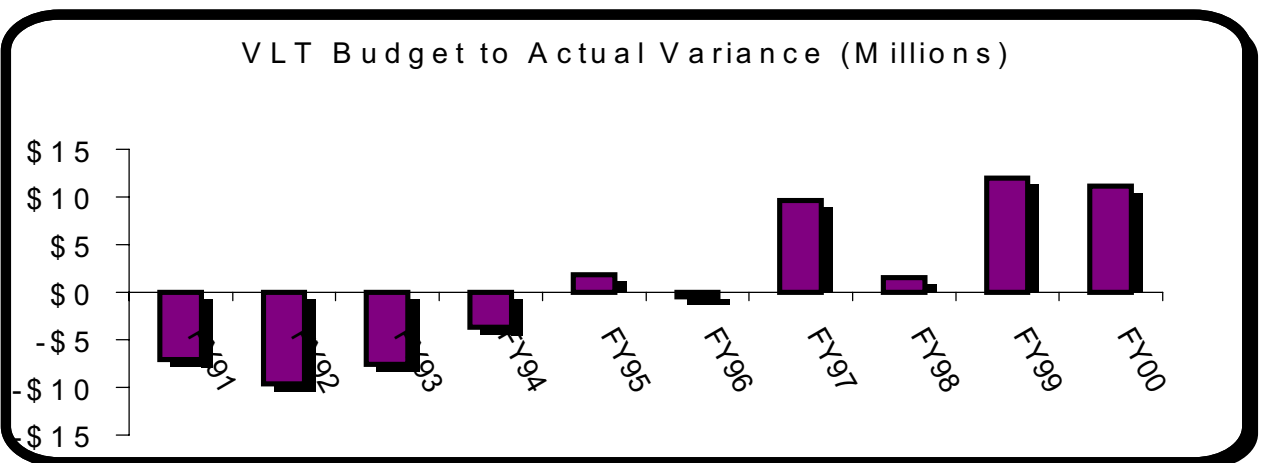
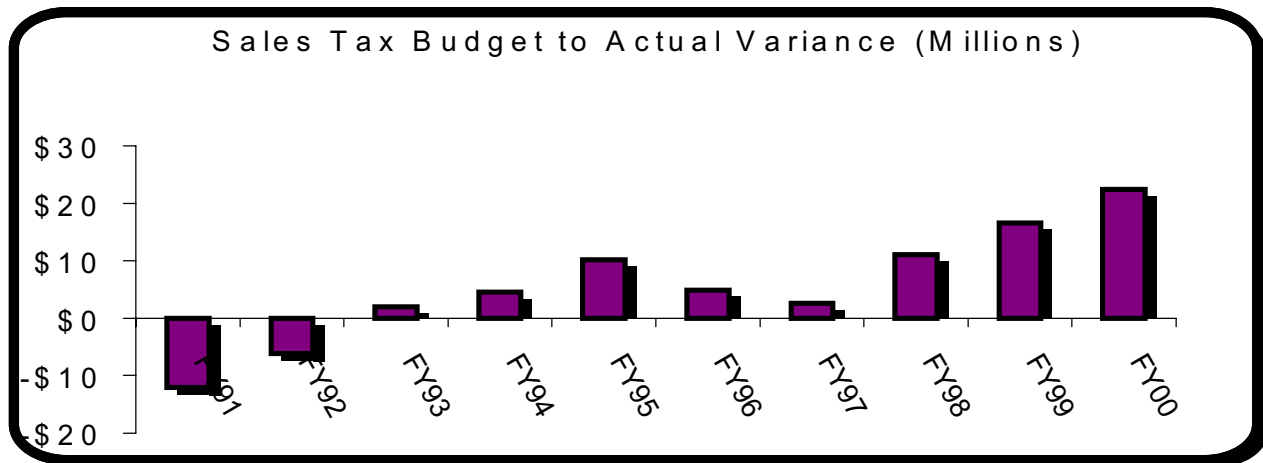
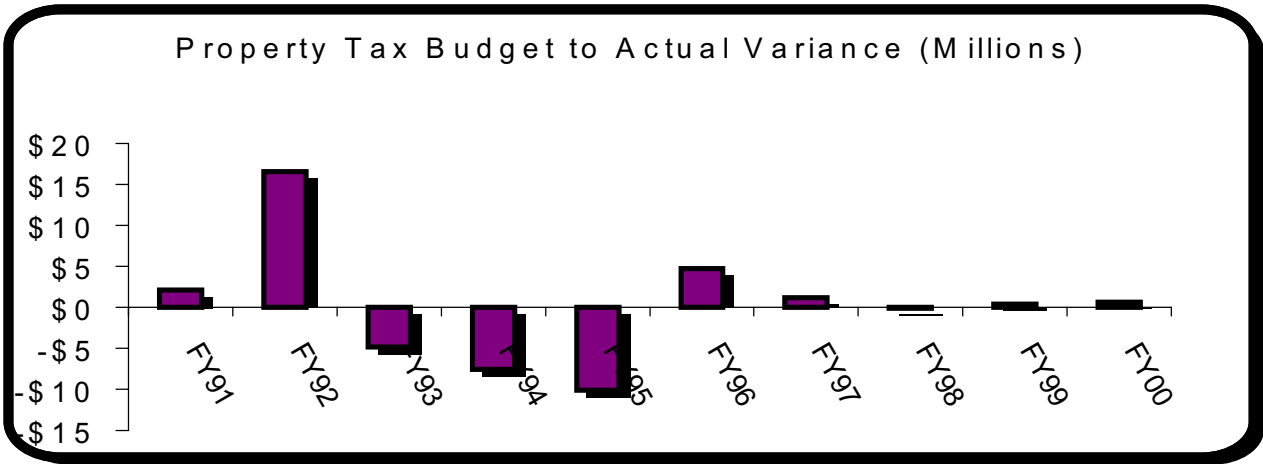




## Revenue Forecasting

The following charts show variances between budgeted General Fund major revenues and the revenues actually received.

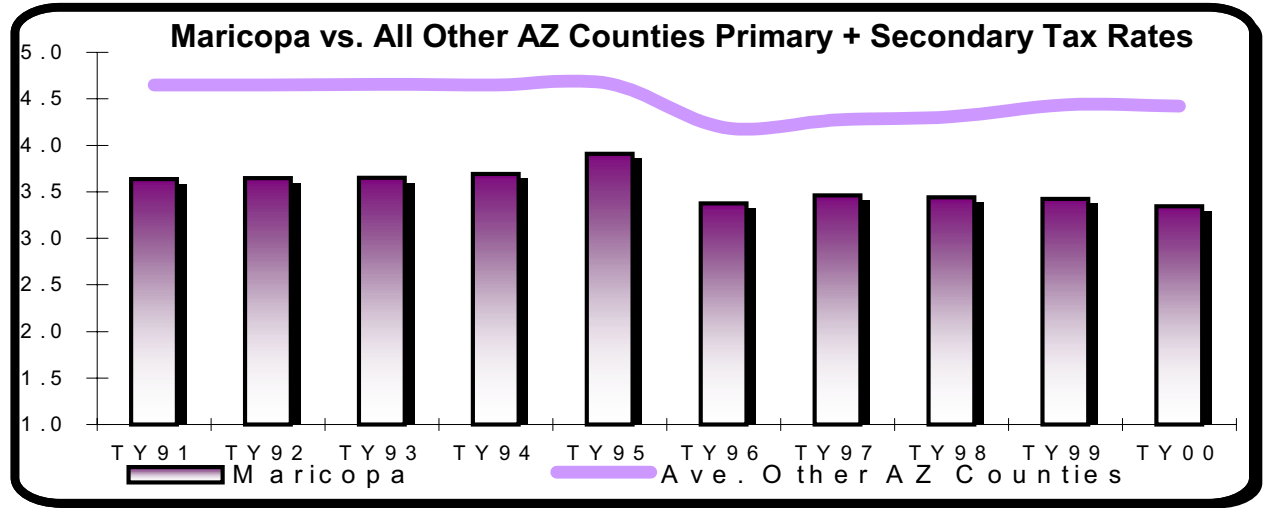
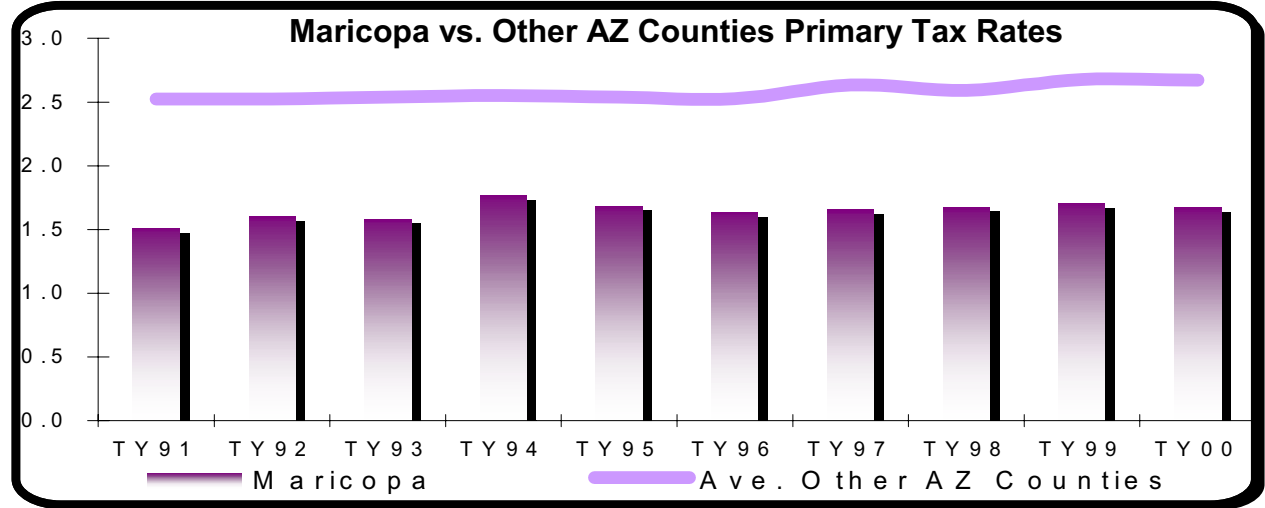
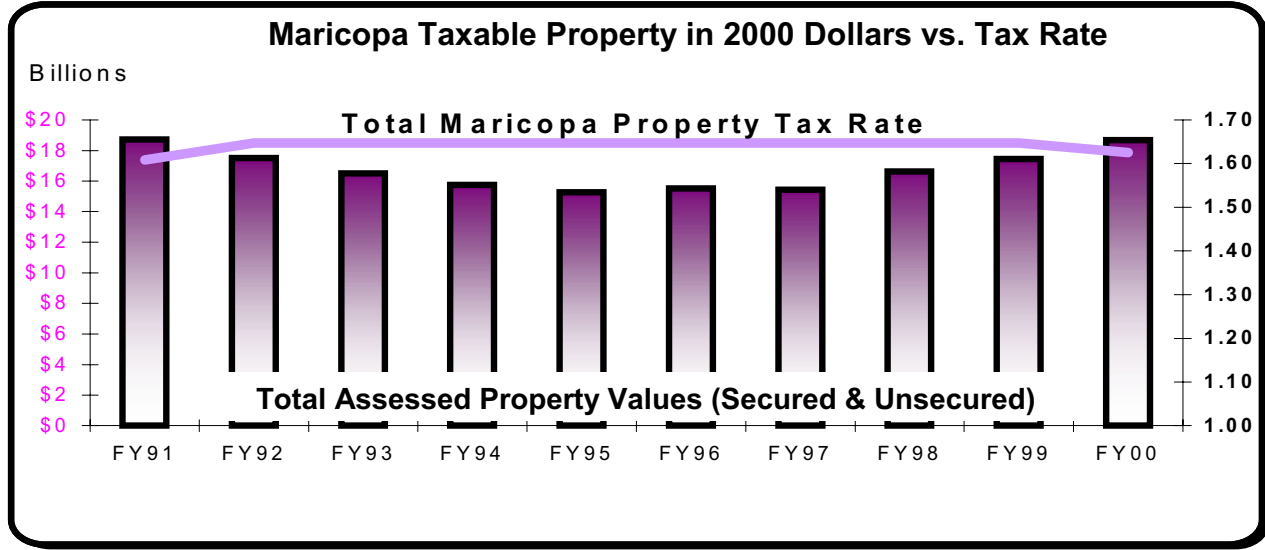
VLT revenue forecasting difficulty has increased because consumers may now choose between annual and bi-annual registration.





### Maricopa Taxable Property Compared to Tax Rate

Maricopa's total taxable property assessed value (in constant 2000 dollars) declined from FY90 through FY95. After FY95, there has been an upswing in these values during a period of flat tax rates. The upswing in values is attributable to economic growth and a related increase in newly assessable properties. This increase in values has a positive effect on property tax revenues.



## Financial Recovery is Reflected in the County's Bond Ratings

The County's financial position declined in the early 1990's. The County responded by restructuring its finances. Since June 1994, the County's bond rating has steadily improved. The following table illustrates the County's bond ratings from 1981 through May, 2000:

Moody's		Effective		Fitch IBCA		Effective Date
Aa-1	Upgrade	Aug. 1981				
Aa	Downgrade	Jul. 1993				
A-3	Downgrade	Jun. 1994				
A-2	Upgrade	Mar. 1997				
A-1	Upgrade	Nov. 1998				
Aa-3	Upgrade	May 2000		AA	New Rating	Apr. 2000

### What do the Moody's Ratings Mean?

According to Moody's, a rating helps investors determine the relative likelihood that they might lose money on a given fixed-income investment. Obligations that extend longer than one-year are rated **Aaa** through **C**. Moody's **Aaa** represents the highest quality, meaning that the obligation ranks highest in terms of investor safety. A **C** rating is the lowest level of credit quality. Investments rated **Baa** and above are considered "investment grade." Those rated **Ba** and below are considered "speculative grade". The numerical indicators further modify credit risk within each rating. A modifier of **1** indicates that the issue ranks in the higher end of its generic rating, while a modifier of **3** indicates that the issue ranks in the lower end of its generic rating<sup>1</sup>.

The table presented above shows that Maricopa County's Long-term bonds, rated **Aa-3** by Moody's, are considered high-grade bonds<sup>1</sup>. Maricopa County's trend since June 1994 has been one of improving ratings. In announcing its rating upgrade, Moody's referred to improvement in the county's financial condition, conservative fiscal strategies, elimination of non-service support for the county hospital, and the county's low debt position.<sup>1</sup>

### What does the Fitch IBCA Rating Mean?

According to Fitch IBCA, credit ratings are an opinion on the ability of an entity to meet its financial commitments. These credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested. "Investment-grade" ratings (international long-term 'AAA' 'BBB' categories) indicate a relatively low probability of default, while those in the "speculative" or "noninvestment grade" categories (international long-term 'BB' 'D') either signal a higher probability of default or that a default has already occurred. Ratings imply no specific prediction of default probability. However, for example, it is relevant to note that over the long term, defaults on 'AAA' rated U. S. corporate bonds have averaged less than 0.10% per annum, while the equivalent rate for 'BBB' rated bonds was 0.35%, and for 'B' rated bonds, 3.0%.<sup>2</sup>

<sup>1</sup> Moody's Investor Service "Rating Actions, May 27, 2000", "How to Use Ratings" and "Rating Definitions" [Online]. Available: <http://www.Moodys.com.html>.

<sup>2</sup> Fitch IBCA "Rating Definitions" [Online]. Available: <http://www.Fitchibca.com.html>

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